

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 DRC-01 PA-04 PRS-01 USIA-15 /158 W

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R 091500Z AUG 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7769

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY GUATEMALA

UNCLAS SAN JOSE 3018

GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: CS

SUBJECT: SIXTH SESSION OF C.A. HIGH LEVEL COMMITTEE (HLC)

REF: GUATEMALA 4261

### 1. SUMMARY

EMBOFF DISCUSSED SUBJECT MEETING WITH COSTA RICAN HLC REPRESENTATIVES SOLANO AND BERROCAL ON AUGUST 7. THEIR ASSESSMENT OF MEETING ACCORDS WITH THAT CONTAINED IN REFTTEL, I.E., THE MEETING WAS CHARACTERIZED BY A SPIRIT OF COOPERATION AND HARD WORK AND THE COSTA RICANS ARE OPTIMISTIC THAT WORK CAN NOW GO FORWARD AT A FAST ENOUGH RATE TO ENABLE THE HLC TO HAVE A DRAFT TREATY READY FOR PRESENTATION TO THE CENTRAL AMERICAN GOVERNMENTS BY EARLY 1975. THE COSTA RICANS BELIEVE THAT CON-

SIDERABLE CREDIT FOR THIS SUCCESS IS DUE TO A CHANGE IN ATTITUDE ON THE PART OF GUATEMALA. THE NEW GUATEMALAN  
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COMMISSIONER APPEARS TO HAVE COOPERATED VERY CLOSELY

WITH SOLANO AND BERROCAL DURING THE MEETING. MUCH OF THE DISCUSSION ON THE FOREIGN INVESTMENT AGENDA ITEM APPEARS TO HAVE REVOLVED AROUND A LENGTHY SERIES OF SUGGESTIONS PRESENTED BY THE COSTA RICANS. END SUMMARY.

2. FROM THE COSTA RICAN VIEWPOINT THE TWO PRINCIPAL "TRIUMPHS" OF THE MEETING WERE THE AGREEMENT ON THE PART OF ALL FIVE COUNTRIES: (A) TO CONSIDER SETTING UP A SEPARATE INVESTMENT CORPORATION IN CABEI WHICH WOULD PROMOTE THE FORMATION OF MULTINATIONAL, I.E. INTRA-REGIONAL, CORPORATIONS; AND (B) TO BEGIN ARTICLE BY ARTICLE DISCUSSIONS IN NOVEMBER ON A NEW TREATY.

3. THE IDEA OF CREATING A REGIONAL INVESTMENT PROMOTION CORPORATION HAS BEEN ESPECIALLY DEAR TO SOLANO AND IS PART OF HIS OFT-REPEATED GOAL OF "INTEGRACION POR HECHO SI NO POR DERECHO." SOLANO CLAIMED THAT IT WAS ACHIEVED ONLY AFTER INVOLVED DISCUSSION WITH THE HONDURAN REPRESENTATIVE WHO WAS CONVINCED THAT COSTA RICA WAS ACTING AS A FRONT MAN FOR SALVADOR ON THIS ISSUE AND THAT SALVADOR WANTED TO CREATE AN INVESTMENT CORPORATION BECAUSE IT CONSIDERED THAT THIS WOULD WEAKEN CABEI. AS THINGS STAND NOW IT APPEARS THAT A THREE PERSON HIGH-LEVEL COMMITTEE -- POSSIBLY CONSISTING OF FELIPE HERRERA A REPRESENTATIVE OF THE INTER-AMERICAN DEVELOPMENT BANK AND AN INDEPENDENT MEMBER -- WILL MEET TO CONSIDER WHETHER THE IDEA OF CREATING A REGIONAL INVESTMENT CORPORATION IS A GOOD ONE OR NOT.

4. SOLANO AND BERROCAL CREDITED THE BREAKTHROUGH ON DRAFTING A NEW TREATY TO A JOINT EFFORT ON THE PART OF GUATEMALA AND COSTA RICA. THE TIMETABLE ENVISIONED COINCIDES WITH THAT STATED IN THE REFTEL, I.E. A MEETING IN GUATEMALA IN THE FIRST WEEK OF SEPTEMBER TO MAKE A FINAL DECISION ON INTER-REGIONAL TRADE, FISCAL INCENTIVES AND FOREIGN INVESTMENT POLICIES; AND A MEETING IN MANAGUA IN THE FIRST WEEK OF OCTOBER TO DISCUSS A JOINT SOCIAL POLICY AND TO ACHIEVE A CONSENSUS ON AN AGRICULTURAL POLICY. SIECA IS TO HAVE A DRAFT TREATY PREPARED BY THE END OF OCTOBER FOR SUBMISSION TO THE CENTRAL AMERICAN HLC COMMISSIONERS AND THE COMMISSIONERS, IN TURN, PLAN TO HAVE A FINALIZED DRAFT READY FOR UNCLASSIFIED

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PRESENTATION IN EARLY 1975.

5. THE COSTA RICANS PRESENTED SOME 15 TO 18 SUGGESTIONS ON THE MAKE-UP OF A REGIONAL FOREIGN INVESTMENT POLICY. A SEPARATE AIRGRAM FOLLOWS WHICH WILL LIST THOSE SUGGESTIONS IN GREATER DETAIL. HIGHLIGHTS ARE: (A) THE NEED TO DEVELOP A TRULY REGIONAL CODE GOVERNING SUCH INVESTMENT WHICH WOULD BE BASED ON A LEGAL RATHER THAN JUST A POLICY COMMITMENT;

(B) THE NEED TO INSURE THAT SUCH A CODE BE PHRASED IN A POSITIVE MANNER AND THAT IT WOULD NOT JUST REGULATE INVESTMENT BUT WOULD ALSO ASSURE INVESTORS MEETING THE ESTABLISHED CRITERIA THAT THEY COULD OPERATE OVER A SET PERIOD OF YEARS, E.G. TEN TO TWENTY YEARS UNDER ESTABLISHED "RULES OF THE GAME;" (C) THE NEED TO ESTABLISH CRITERIA SELECTIVELY AND COMPLEMENTARILY WITH DEVELOPMENT PLANS IN APPROVING THE TYPE OF FOREIGN INVESTMENT WHICH WOULD BE ACCEPTABLE. TIED TO THIS IS THE NEED TO DEFINE AREAS WHERE FOREIGN INVESTMENT WOULD BE ALLOWED -- THE SIECA PROPOSAL OF FOUR DIFFERENT INDUSTRIAL CATEGORIES RANGING FROM STRICTLY NATIONAL TO WIDE OPEN IS SUGGESTED; (D) THE DESIRABILITY OF REGULATING THOSE ACTIVITIES OF MULTINATIONAL CORPORATIONS WITH THEIR HOME OFFICE OR FOREIGN COUNTERPARTS WHICH COULD BE PREJUDICIAL TO REGIONAL GOALS, E.G. EXPORT MARKET DISTRIBUTION CONTRACTS; (E) THE SUGGESTION THAT MULTINATIONALS BE EXCLUDED FROM ALL SOFT LOAN FACILITIES, I.E. THROUGH CABEI OR THE NATIONAL BANKING SYSTEMS AND THAT THEY BE EXCLUDED FROM UTILIZING THE NATIONAL BANKING SYSTEMS EXCEPT FOR WORKING CAPITAL NEEDS; AND (F) THE NEED TO DEVELOP INCENTIVES TO PROMOTE JOINT VENTURES IN THE AREA AND TO PROVIDE INCENTIVES FOR RE-INVESTMENT.

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## Message Attributes

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